

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:252
ANSWERED ON:18.02.2009
HOME LOANS
Lagadapati Shri Rajagopal

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has issued guidelines to Public/Private/Foreign Sector Banks to treat home loan on priority basis; and

(b) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): As per the Reserve Bank of India (RBI)'s guidelines on lending to Priority Sector, the following types of home loans extended by the Scheduled Commercial Banks (SCBs) are eligible to be classified as Priority Sector Advances:-

i) Loans upto Rs. 20 lakhs, irrespective of location, to individuals for purchase/construction of a dwelling unit per family, excluding loans granted by banks to their own employees.

ii) Loans given for repairs to the damaged units of families upto Rs. 1 lakh in rural and semi-urban areas and upto Rs. 2 lakhs in urban and metropolitan areas.

iii) Assistance given to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of Rs. 5 lakhs of loan amount per dwelling unit.

iv) Assistance given to a non-governmental agency approved by the National Housing Bank (NHB) for the purpose of refinance for construction/reconstruction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of loan component of Rs. 5 lakhs per dwelling unit.

Further, the SCBs were advised by RBI on December 8, 2008 that loans granted to Housing Finance Companies (HFCs), approved by NHB for the purpose of refinance, for on-lending to individuals for purchase/construction of dwelling units are eligible to be classified under Priority Sector, provided the housing loans granted by HFCs do not exceed Rs. 20 lakh per dwelling unit per family. However, the eligibility under this measure shall be restricted to five per cent of the individual bank's total priority sector lending, on an ongoing basis. The banks have also been advised that the above special dispensation shall apply to loans granted by banks to HFCs upto March 31, 2010. Such loans granted till March 31, 2010 will continue to be classified under priority sector till they are repaid.